CONCORDIA UNIVERSITY
BOARD OF GOVERNORS
CONCORDIA EMPLOYEE BENEFITS COMMITTEE

Meeting of October 4, 1982

Attendance: Chairman, Mr. G. Fisher, Prof. L. Bessner, Mr. R. Doutre, Prof. G. Martin Mr. B. Smart, Miss D. Johnson and Mr. M. Hamilton of William M. Mercer Ltd.

Regrets: Mr. M.J. Bourgault, Mr. R.K. Groome, Prof. H. Ripstein and Mr. C. Waters Mr. J. Daniel

Minutes of the Meeting of June 16, 1982

Following clarification of the minutes relating to Group Life Insurance premium reduction a motion to approve the minutes was proposed, seconded and unanimously carried.

Pension Plan Amendments - Pursuant to Bill 15

Mr. Malcolm Hamilton reviewed a number of questions to be considered in the process of amending the pension plan document following enactment of Bill 15. The text of Mr. Hamiltons review constitutes Appendix A of the minutes.

Mr. Hamilton explained that there is nothing in the law which prevents a change in the definition of Normal Retirement Age, however, it is recommended that this be left as the June 1st following age 65. In addition it is recommended that members not continue to partipate and accrue credited service after Normal Retirement Date.

Mr. Smart asked if it would not be more beneficial for Members with short service to be allowed to accrue benefits until age 71, thereby increasing their Credited Service and providing a means of improving their eventual retirement income.

Mr. Hamilton noted that there might be some advantage to the participants with five years of service at Normal Retirement Date but the proceeds of the re-valorized pension would, in most cases, exceed the additional benefits accrued beyond Normal Retirement Date.

Prof. Bessner asked if there was any intention to provide for contributions and additional pension accruals to age 71 in the recommendation and Mr. Hamilton responded no. Mr. Bessner asked if this would create surplus funds in the plan and Mr. Hamilton explained that the re-valorization formula provided for no gain or loss to the pension plan.

Mr. Hamilton advised that Bill 15 provides for the payment of pensions at age 65 by mutual agreement between employer and employee even if the employee continues to work full time and draw full salary. The recommendation that Concordia not agree to the payment of the full pension is made because individuals may begin to use the pension to provide an even higher living standard and then not want to retire. The advantage of roll-over of full pension to R.R.S.P. is equivalent to the revalorization if the funds are well invested.

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Prof. Bessner suggested that denial of pension payment may have negative connotations for an individual the University wished to retain beyond age 65. Mr. Hamilton reiterated that the revalorization formula would, in most cases, provide a better pension than that accrued beyond Normal Retirement Date according to the Plan formula.

Mr. Hamilton explained the revalorization formula included in Appendix A and noted that the only objection the Regie may have could be the use of yield on Treasury Bills.

The Chairman asked that specific examples of revalorization compared to pensions provided by Plan formula be prepared for the meeting of October 25th.

Mr. Hamilton advised committee that Concordia has a choice with respect to the effective date of the changes in view of the fact that we have collective bargaining units covered by the same Plan document. Prof. Martin asked if we could be comfortable with different effective dates for non-unionized and unionized employees. Mr. Hamilton noted that the variance in effective dates is noted in the Bill.

Mr. Hamilton explained that he would review Question 6 later and went on to explain that Bill 15 does not in any way deal with other benefits. There is Human Rights legislation coming which could deal with these items, however, there is no need to change any of the programs immediately.

The Chairman asked committee members if they felt they had enough information to answer questions and if there was satisfaction with the information given.

Mr. Smart noted that there are a number of choices for an individual to decide upon at age 65 and it is important that we are all fully aware of the alternatives. For example, what can Concordia do if the employee just decides to stay on.

Mr. Hamilton noted that performance evaluation practices would have to improve and in the absence of "just and sufficient cause" employers would have to build into their programs motivations toward retirement.

Prof. Martin noted that Concordia may have to develop a package to lead up to retirement motivation.

Mr. Hamilton commented that employers in the U.S. have found that the number of employees wishing to continue working beyond Normal Retirement have not been significant. The University should, however, keep statistics and make representation for exemption should a different trend develop.

It was suggested that the various groups of employees should be advised of the amendment requirements and the recommendations that must be submitted to the Board for the December 15th meeting.

Several suggestions regarding communication were put forward and the Chairman recommended that a sub-committee be formed to set up communications with the various groups. Mr. Larry Bessner, Mr. Bruce Smart and Mr. Ray Doutre agreed to form the sub-committee.

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Meeting Dates

In view of the amount of business to be dealt with it was agreed that two additional meetings would be held in October. Investment Review and comparative measurement will be covered on Wednesday, October 20th at 12:00 noon and the Bill 15 Amendments should be finalized at a meeting to cover this topic alone, to be held Monday, October 25th at 12:00 noon. The regularly scheduled meetings will be the second Monday of every month with the next regular meeting to be held Monday, November 8th.

Indexing Pensions of Disabled Employees

Mr. Hamilton noted that this item does not relate to Bill 15 but ties in with it due to the fact that a plan amendment is required. The three suggested remedies were discussed and Mr. Smart proposed that the following recommendation be adopted for submission to the Board:

> "Freeze Final Average Earnings and Final Average Y.M.P.E.'s at the date of disability. Thereafter, when ex-gratia improvements are granted to retired employees, the Final Average Earnings and Final Average Y.M.P.E.'s of disabled employees be similarly adjusted, or adjusted by different percentages."

It was unanimously agreed that the Ad Hoc percentages should be used but specific examples of the results this approach produces should be reviewed by the Committee before the recommendation goes to the Board.

Ad Hoc Adjustments

Mr. Hamilton explained the concept of "Adjusted Market Rate of Return" as an attempt to dampen the major fluctuations in Market Values. He noted that the straight Market Values tended to be too volatile and pensioners would not want to live with the volatility. Also, any decision taken with respect to adjustments should not affect short term trading decisions made by the investment managers.

The recommendation indicates that realized and unrealized gains be forward averaged by 20%; likewise, the losses of the last two years would be forward averaged and offset by future gains.

Mr. Doutre asked if the assets related to retirement pensions would be separated from the fund, Mr. Hamilton replied that the recommendation is to assign a different asset value for the retired assets.

Mr. Smart asked if the cost of the difference between the 9.3% and the 12.4% could be worked out. Mr. Hamilton agreed to look into the additional cost implications.

The committee generally concluded that the "Adjusted Market Value" approach was an acceptable method of computing excess interest and if the valuation results show that our returns are stable we can proceed with a recommendation for the Board. Further discussion was recommended at the next regular meeting.

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Respectfully submitted,

Dawn Johnson, Secretary